

**PUBLIC HEARING ON**  
**BILL 17-0069, “CLOSING AGREEMENT ACT OF 2007”**

**Before the**  
**Committee on Finance and Revenue**  
**Council of the District of Columbia**

**The Honorable Jack Evans, Chairman**

**March 14, 2007, 11:00 a.m.**  
**John A. Wilson Building, Room 120**



**Testimony of**  
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**Natwar M. Gandhi**  
**Chief Financial Officer**  
**Government of the District of Columbia**

Good morning, Chairman Evans and members of the Committee on Finance and Revenue. I am Sherryl Hobbs Newman, Deputy Chief Financial Officer for the Office of Tax and Revenue (OTR). I am pleased to present testimony today on Bill 17-0069, the “Closing Agreement Act of 2007.” It is the permanent version of emergency legislation that became law on December 19, 2006.

This legislation amends D.C. Official Code § 47-4403 to permit OTR to enter into a closing agreement for taxable periods prior or subsequent to the date of a closing agreement. Currently, the law permits a closing agreement only for taxable periods prior to the date of the closing agreement. This amendment will mimic the closing agreement provision found in the federal Internal Revenue Code § 7121(a).

Closing agreements can promote compliance while conserving OTR resources. Closing agreements allow taxpayers to rest assured that a tax matter has been permanently resolved and to know how to comply in the future. At the same time, OTR resolves a compliance problem and obtains a commitment to future compliance. This new amendment will allow OTR to negotiate with taxpayers for relief for past violations of the tax law in exchange for strict future compliance. As a result, OTR and the taxpayer will conserve time and resources rather than spend time in litigation.

### **Fiscal Impact of Bill 17-0069**

Because we already have authority to enter into closing agreements, we do not estimate this bill to have a fiscal impact. Negotiating closing agreements is a give-and-take exercise based on the facts of each individual case. As a result, some

closing agreements are more fruitful to the District's revenue than others. Overall, we feel that this amendment will provide an incentive for both OTR and taxpayers to reach an agreement on a controversial tax matter. As such, we anticipate a more efficient use of our resources as a result of this proposed amendment.

Thank you, Chairman Evans, for the opportunity to comment on this bill. I would be happy to answer any questions you or other councilmembers might have at this time.